

Annual Financial Report

— City of Hamburg

Hamburg, Minnesota

For the year ended December 31, 2021

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Annual Financial Report
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INTRODUCTORY SECTION

CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Hamburg, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2021

ELECTED

Name	Title	Term Expires
Chris Lund	Mayor	12/31/22
Tim Tracy	Council Member/Vice Mayor	12/31/24
Scott Feltman	Council Member	12/31/22
Jessica Weber	Council Member	12/31/24
Eric Poppler	Council Member	12/31/22

APPOINTED

Name	Title
Jeremy Gruenhagen	Clerk/Treasurer
Tamara Bracht	Deputy Clerk/Utility Billing Clerk

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FINANCIAL SECTION

**CITY OF HAMBURG
HAMBURG, MINNESOTA**

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Hamburg, Minnesota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hamburg, Minnesota, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Employer's Shares of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures and the Schedule of Changes in the Fire Relief Association's Net Pension (Asset) and Related Ratios starting on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hamburg's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Abdo
Minneapolis, Minnesota
May 9, 2022



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Management's Discussion and Analysis

As management of the City of Hamburg, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021.

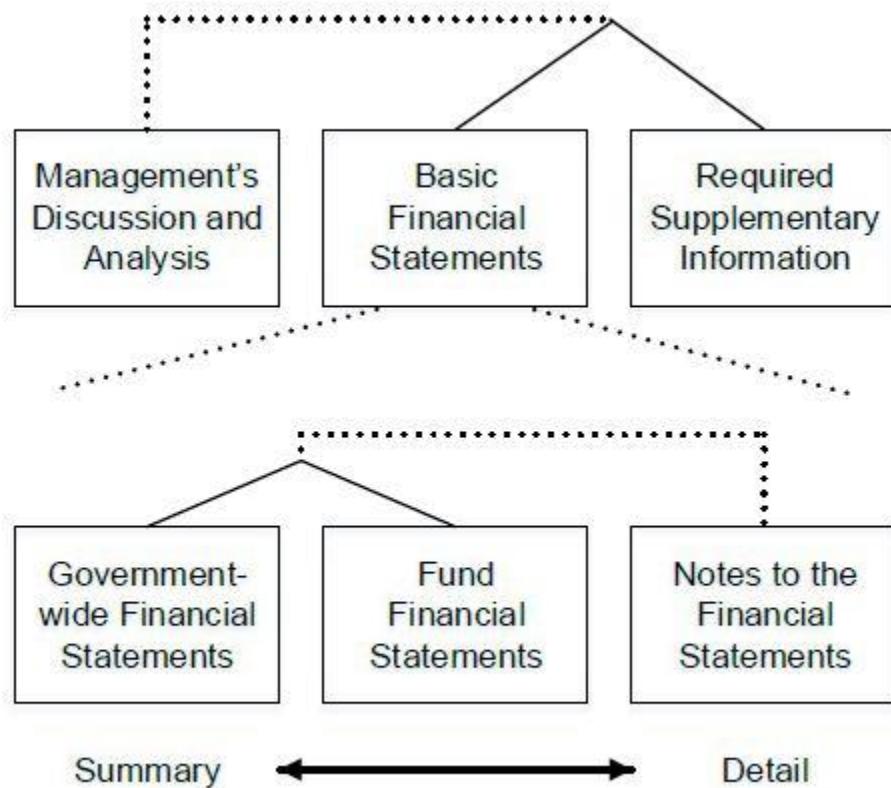
Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,485,453 (net position). Of this amount, \$1,769,201 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$245,952. This was a result of business-type activities accounting for \$111,848 and governmental activities accounting for \$134,104 of the total increase.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,052,977, an increase of \$26,351 from the prior year. Of this amount, \$1,032,597 is available for spending at the City's discretion (assigned and unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$463,085 or 57.1 percent of 2021 General fund expenditures and transfers out.
- The City's total long-term debt decreased \$177,006 (6.8 percent) during the current fiscal year. This is primarily due to scheduled debt payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the required parts of this annual report are arranged and relate to one another.

Organization of the City's Annual Financial Report



The following chart summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses, such as the water, sewer, and storm water systems
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter	All deferred outflows/inflows of resources, regardless of when cash is received or paid.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation and interest on long-term debt. The business-type activities of the City include water, sewer, and storm water operations.

The government-wide financial statements start on page 29 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Capital Purchases funds, both of which are considered to be major funds. Data from the other governmental funds are identified as nonmajor and presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 34 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and storm water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 39 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 45 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Hamburg's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 68 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 74 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,485,453 at the close of the most recent fiscal year.

The largest portion of the City's net position (49.2 percent) reflects its investment in capital assets (e.g., land, historical treasures and collectable, buildings, machinery and equipment, vehicles, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Hamburg's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Assets						
Current and other assets	\$ 1,276,483	\$ 1,281,787	\$ (5,304)	\$ 711,376	\$ 601,393	\$ 109,983
Capital assets (net of depreciation)	1,311,872	1,298,075	13,797	2,771,259	2,906,714	(135,455)
Total Assets	2,588,355	2,579,862	8,493	3,482,635	3,508,107	(25,472)
Deferred Outflows of Resources	81,559	11,012	70,547	17,412	3,615	13,797
Liabilities						
Noncurrent liabilities outstanding	160,418	222,210	(61,792)	2,362,534	2,509,728	(147,194)
Current and other liabilities	39,650	45,595	(5,945)	19,603	15,490	4,113
Total Liabilities	200,068	267,805	(67,737)	2,382,137	2,525,218	(143,081)
Deferred Inflows of Resources	80,663	67,990	12,673	21,640	2,082	19,558
Net Position						
Net investment in capital assets	1,236,272	1,184,675	51,597	479,980	548,633	(68,653)
Restricted for debt service	-	11,511	(11,511)	-	-	-
Unrestricted	1,152,911	1,058,893	94,018	616,290	435,789	180,501
Total Net Position	\$ 2,389,183	\$ 2,255,079	\$ 134,104	\$ 1,096,270	\$ 984,422	\$ 111,848

The City's remaining fund balance is represented as *unrestricted net position*, \$1,769,201, which may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

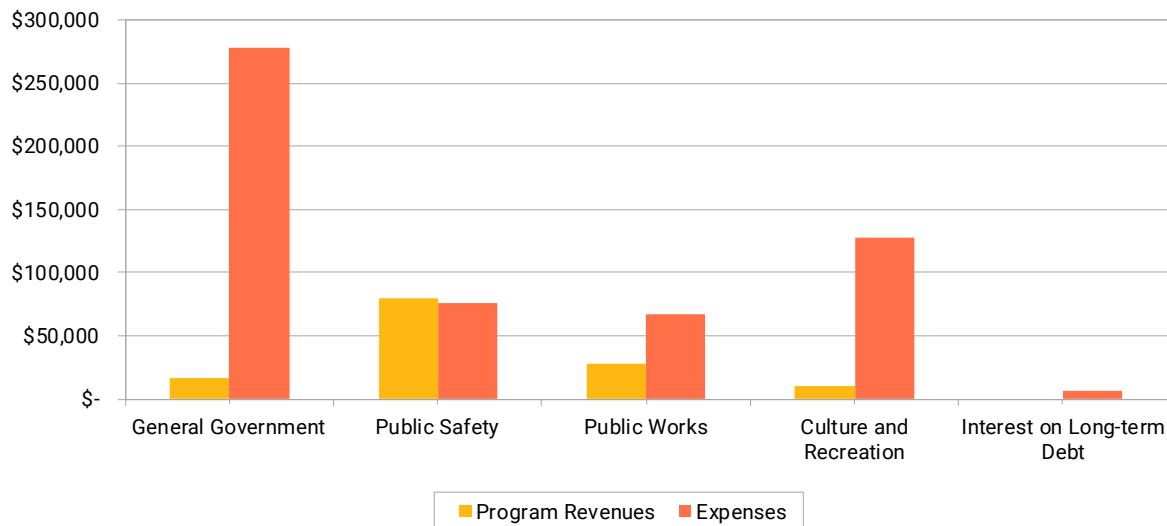
Statement of Activities. Governmental activities increased the City's net position by \$134,104 and business-type activities increased the City's net position by \$111,848 for a total increase of \$245,952. Significant changes from the prior year are noted below:

City of Hamburg's Changes in Net Position

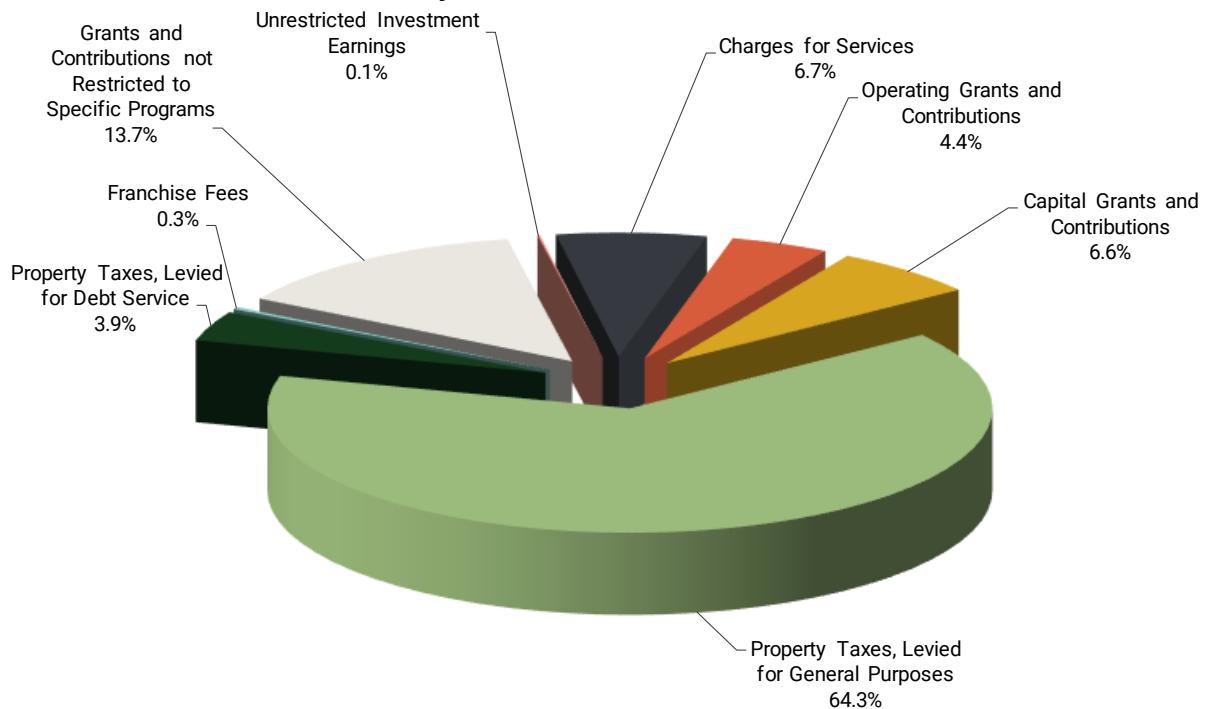
	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 51,092	\$ 44,377	\$ 6,715	\$ 331,663	\$ 319,473	\$ 12,190
Operating grants and contributions	33,248	64,981	(31,733)	-	254	(254)
Capital grants and contributions	49,785	264	49,521	1,470	8,927	(7,457)
General revenues						
Property taxes						
Levied for general purposes	488,379	493,722	(5,343)	-	-	-
Levied for debt service	29,800	19,129	10,671	-	-	-
Franchise fees	2,608	2,266	342	-	-	-
Grants and contributions not restricted to specific programs	104,008	90,212	13,796	-	-	-
Unrestricted investment earnings	845	3,279	(2,434)	-	-	-
Gain on sale of capital assets	-	-	-	-	-	-
Total Revenues	<u>759,765</u>	<u>718,230</u>	<u>41,535</u>	<u>333,133</u>	<u>328,654</u>	<u>4,479</u>
Expenses						
General government	278,938	282,414	(3,476)	-	-	-
Public safety	76,049	78,720	(2,671)	-	-	-
Public works	67,309	96,292	(28,983)	-	-	-
Culture and recreation	128,003	65,224	62,779	-	-	-
Interest on long-term debt	5,842	7,301	(1,459)	-	-	-
Water	-	-	-	180,467	134,195	46,272
Sewer	-	-	-	71,172	73,697	(2,525)
Storm water	-	-	-	39,166	29,894	9,272
Total Expenses	<u>556,141</u>	<u>529,951</u>	<u>26,190</u>	<u>290,805</u>	<u>237,786</u>	<u>53,019</u>
Change in Net Position Before Transfers	203,624	188,279	15,345	42,328	90,868	(48,540)
Transfers	<u>(69,520)</u>	<u>-</u>	<u>(69,520)</u>	<u>69,520</u>	<u>-</u>	<u>69,520</u>
Change in Net Position	134,104	188,279	(54,175)	111,848	90,868	20,980
Net Position, January 1	<u>2,255,079</u>	<u>2,066,800</u>	<u>188,279</u>	<u>984,422</u>	<u>893,554</u>	<u>90,868</u>
Net Position, December 31	<u>\$ 2,389,183</u>	<u>\$ 2,255,079</u>	<u>\$ 134,104</u>	<u>\$ 1,096,270</u>	<u>\$ 984,422</u>	<u>\$ 111,848</u>

The following graph depicts various governmental activities and shows the revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



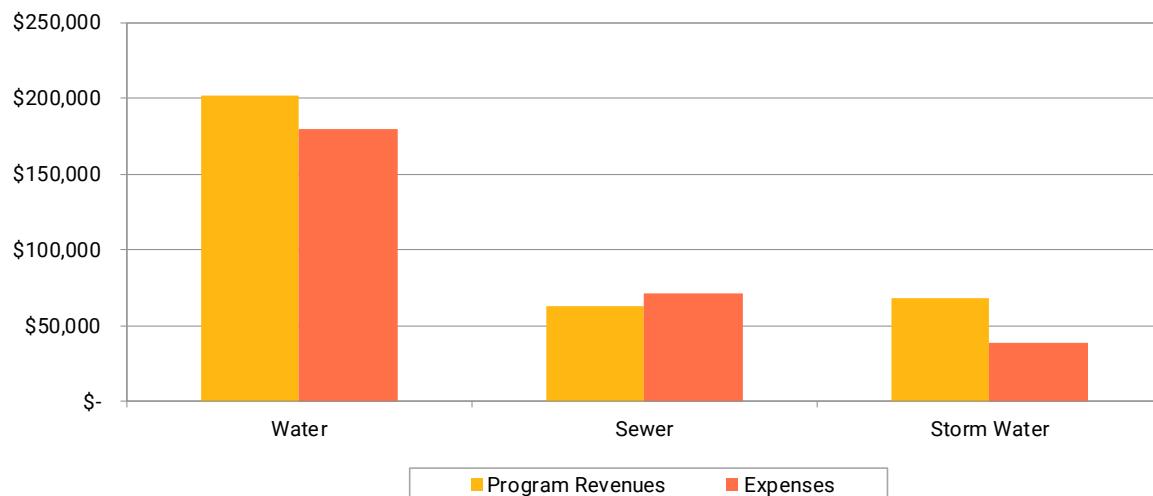
Revenues by Source - Governmental Activities



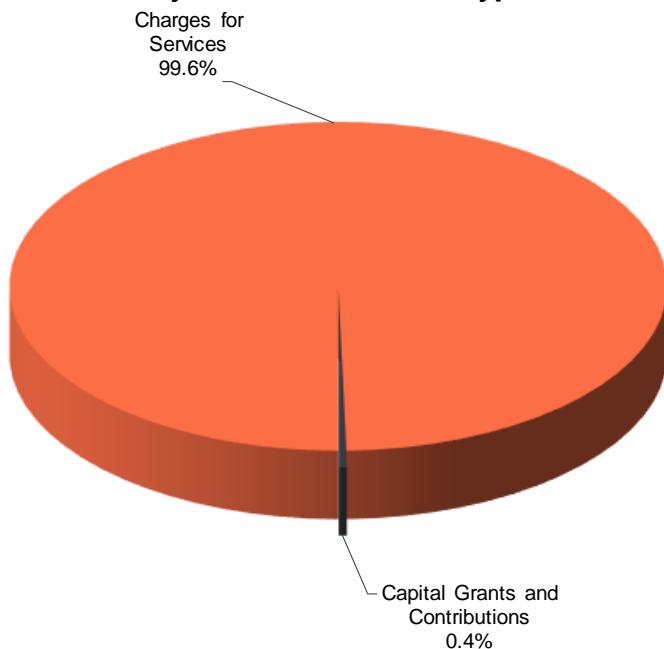
Business-type Activities. Business-type activities increased the City's net position by \$111,848. Key elements of this increase are as follows:

- Operating income within the proprietary fund financial statements of \$75,966 over net nonoperating revenue/expenses, capital contributions totaling \$35,882.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,052,977, an increase of \$26,351 in comparison with the prior year. Of this amount, \$452,202 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund the balance is not available for new spending because it is either 1) nonspendable for prepaid items (\$11,583), 2) restricted for debt service (\$8,797), or 3) assigned for capital outlay (\$580,395).

Major Funds	Fund Balances December 31,			Increase (Decrease)
	2021	2020		
General	\$ 474,668	\$ 532,275		\$ (57,607)
The General fund is the chief operating fund of the City. The decrease in fund balance primarily relates to capital purchases.				
Capital Purchases	\$ 549,311	\$ 476,398		\$ 72,913
The Capital Purchases fund balance increase primarily due to a transfer in of LGA from the General fund of \$82,569.				

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$616,290.

General Fund Budgetary Highlights

The final budget approved by City Council indicated excess revenues over expenditures in the amount of \$8,606 prior to net transfers to other funds for \$96,185, resulting in a budgeted decrease of \$87,579 to fund balance. Actual year-end figures resulted in a decrease to fund balance of \$57,607.

Some of the significant line item variances can be briefly summarized as follows:

- The largest revenue budget variance was in intergovernmental revenues of \$125,128 primarily from unbudgeted collections of local government aid (\$82,569) and Small Cities Assistance.
- The largest expenditure variances related to capital outlay, with expenditures over \$66,991 over budget and transfers out of \$82,569 over budget.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2021, amounts to \$4,083,131 (net of accumulated depreciation). This investment in capital assets includes land, historical treasures and collectables, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. Major capital asset activity includes:

- Overall, total capital assets, net of depreciation, decreased \$121,658 as a result of scheduled depreciation.

City of Hamburg's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 100,000	\$ 100,000	\$ -	\$ 37,000	\$ 37,000	\$ -
Historical Treasures and Collectables	11,873	11,873	-	-	-	-
Buildings	9,181	11,368	(2,187)	-	-	-
Machinery and Equipment	192,435	99,832	92,603	43,932	53,383	(9,451)
Vehicles	399,217	451,975	(52,758)	-	-	-
Infrastructure	599,166	623,027	(23,861)	2,690,327	2,816,331	(126,004)
Total	\$ 1,311,872	\$ 1,298,075	\$ 13,797	\$ 2,771,259	\$ 2,906,714	\$ (135,455)

Additional information on the City's capital assets can be found in Note 3B starting on page 53 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$2,411,994. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Hamburg's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Certificates of Indebtedness	\$ 45,600	\$ 68,400	\$ (22,800)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	30,000	45,000	(15,000)	-	-	-
G.O. Revenue Bonds	-	-	-	2,336,394	2,475,600	(139,206)
Total	\$ 75,600	\$ 113,400	\$ (37,800)	\$ 2,336,394	\$ 2,475,600	\$ (139,206)

The City's total long-term debt decreased \$177,006 (6.8 percent) during the current fiscal year. This is primarily due to regularly scheduled debt payments.

The City's statutory debt limit is computed as three percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. As of December 31, 2021, the City is under the legal debt margin. There is currently no outstanding debt at year end that is applied against the statutory debt limit.

Additional information on the City's long-term debt can be found in Note 3D starting on page 55 of this report.

Economic Factors and Next Year's Budgets and Rates

- Overall General Fund revenues for 2022 Budget increased by \$64,589 and General Fund expenditures for 2022 decreased by \$1,750 (Including transfers). A net loss of \$22,646 is projected for 2022. Local Government Aid (LGA) was not included in the 2021/2022 budgets. LGA monies are earmarked for street improvements. The property tax levy for 2022 was increased by 5.28 percent.
- The City General Fund Balance as a Percent of Next Year's Budgeted Expenditures/Transfers at the end of 2021 was projected at around 72 percent. This ratio is expected to be closer to 50 percent at the end of 2022 due to the projected net loss for 2022. City policy requires the City to maintain a range between 35 to 50 percent.
- Governmental expenditures in the General Fund for 2022 increased by \$14,580.
- Public Safety expenditures for 2022 were increased by \$1,915.
- Public Works expenditures for 2022 were decreased by \$11,297. Louisa Street and Maria Avenue are scheduled to be milled and overlayed in 2022. These expenses will be paid from the Capital Improvement Fund.
- Park expenditures for 2022 were increased by \$4,717 to compensate for employee expenses (FT/PT Help).
- Hall expenditures for 2022 were increased by \$13,520. Repair and maintenance expenditures for 2022 increased by \$18,000.
- General Fund budgeted transfers out for 2022 include the following: \$5,000 to the City Equipment Replacement fund (City Savings Account), \$5,000 to the City Maintenance fund (City Savings Account), \$2,000 to the Community Center Fund (City Savings Account), \$2,000 to Park Handicap Bathrooms Fund (City Savings Account), \$50,000 to Sewer Fund (Riprap Project) and \$6,000 to the Equipment Replacement Fund (Fire Equipment CD).
- Debt Service fund revenues remained the same in 2022. Debt Service expenditures for 2022 decreased by \$2,036. No new debt was issued in 2021 or expected for 2022.
- Water rates were increased 4% in 2021 and 2.0% for 2022. This trend will continue over the next few years to help fund the new Water Tower that was constructed in 2019/2020. 2022 Expenses increased by \$2,550. Debt payments for 2022 increased by \$2,893.
- Sewer rates remained the same for 2021 and increased by 9% in 2022. 2022 budgeted sewer fund general expenditures decreased by \$8,550 for 2022. Major Repairs (Riprap) for the next few years will take place at the Stabilization Ponds, these expenses will be covered mainly with fund reserves. Debt payments for 2022 decreased by \$201. The sewer fund is relatively healthy and sufficient.
- Storm Water rates remained the same for 2021/2022. Storm Water fund revenues and expenditures for 2022 are projected to remain relatively the same as 2021. Debt payments for 2022 increased by \$3,946. A net increase in cash of \$734 is projected for 2022.

All of these factors were considered in preparing the City's budget for the 2022 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk/Treasurer, City of Hamburg, 181 Broadway Ave, Hamburg, Minnesota 55339.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Hamburg, Minnesota
Statement of Net Position
December 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 1,060,782	\$ 632,951	\$ 1,693,733
Receivables			
Taxes	3,853	-	3,853
Accounts	-	31,717	31,717
Special assessments	2,040	44,540	46,580
Due from other governments	18,044	-	18,044
Prepaid items	11,583	2,168	13,751
Net pension asset	180,181	-	180,181
Capital assets			
Land, collectables, and construction in progress	111,873	37,000	148,873
Depreciable assets (net of accumulated depreciation)	<u>1,199,999</u>	<u>2,734,259</u>	<u>3,934,258</u>
Total Assets	<u>2,588,355</u>	<u>3,482,635</u>	<u>6,070,990</u>
 Deferred Outflows of Resources			
Deferred pension resources	<u>81,559</u>	<u>17,412</u>	<u>98,971</u>
 Liabilities			
Accounts payable	8,216	5,538	13,754
Accrued salaries payable	1,025	538	1,563
Due to other governments	1,148	362	1,510
Accrued interest payable	1,012	13,165	14,177
Unearned revenue	28,249	-	28,249
Noncurrent liabilities			
Due within one year			
Long-term liabilities	51,711	201,402	253,113
Due in more than one year			
Long-term liabilities	37,800	2,138,089	2,175,889
Net pension liability	<u>70,907</u>	<u>23,043</u>	<u>93,950</u>
Total Liabilities	<u>200,068</u>	<u>2,382,137</u>	<u>2,582,205</u>
 Deferred Inflows of Resources			
Deferred pension resources	<u>80,663</u>	<u>21,640</u>	<u>102,303</u>
 Net Position			
Net investment in capital assets	1,236,272	479,980	1,716,252
Unrestricted	<u>1,152,911</u>	<u>616,290</u>	<u>1,769,201</u>
Total Net Position	<u>\$ 2,389,183</u>	<u>\$ 1,096,270</u>	<u>\$ 3,485,453</u>

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 278,938	\$ 11,141	\$ -	\$ 5,032
Public safety	76,049	29,520	21,766	28,334
Public works	67,309	-	11,482	16,419
Culture and recreation	128,003	10,431	-	-
Interest on long-term debt	5,842	-	-	-
Total Governmental Activities	<u>556,141</u>	<u>51,092</u>	<u>33,248</u>	<u>49,785</u>
Business-type Activities				
Water	180,467	201,854	-	-
Sewer	71,172	61,121	-	1,470
Storm water	39,166	68,688	-	-
Total Business-type Activities	<u>290,805</u>	<u>331,663</u>	<u>-</u>	<u>1,470</u>
Total	<u><u>\$ 846,946</u></u>	<u><u>\$ 382,755</u></u>	<u><u>\$ 33,248</u></u>	<u><u>\$ 51,255</u></u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

**Net (Expenses) Revenues
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (262,765)	\$ -	\$ (262,765)
3,571	-	3,571
(39,408)	-	(39,408)
(117,572)	-	(117,572)
(5,842)	-	(5,842)
<u>(422,016)</u>	<u>-</u>	<u>(422,016)</u>
-	21,387	21,387
-	(8,581)	(8,581)
-	29,522	29,522
<u>-</u>	<u>42,328</u>	<u>42,328</u>
<u>(422,016)</u>	<u>42,328</u>	<u>(379,688)</u>
488,379	-	488,379
29,800	-	29,800
2,608	-	2,608
104,008	-	104,008
845	-	845
<u>(69,520)</u>	<u>69,520</u>	<u>-</u>
<u>556,120</u>	<u>69,520</u>	<u>625,640</u>
134,104	111,848	245,952
<u>2,255,079</u>	<u>984,422</u>	<u>3,239,501</u>
<u>\$ 2,389,183</u>	<u>\$ 1,096,270</u>	<u>\$ 3,485,453</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Hamburg, Minnesota

Balance Sheet
Governmental Funds
December 31, 2021

	101 <u>General</u>	203 <u>Capital Purchases</u>	Total Nonmajor Governmental	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 482,473	\$ 549,311	\$ 28,998	\$ 1,060,782
Receivables				
Taxes	3,853	-	-	3,853
Special assessments	-	-	2,040	2,040
Due from other governments	18,044	-	-	18,044
Prepaid items	<u>11,583</u>	<u>-</u>	<u>-</u>	<u>11,583</u>
Total Assets	<u>\$ 515,953</u>	<u>\$ 549,311</u>	<u>\$ 31,038</u>	<u>\$ 1,096,302</u>
Liabilities				
Accounts payable	\$ 8,216	\$ -	\$ -	\$ 8,216
Accrued salaries payable	1,025	-	-	1,025
Due to other governments	1,148	-	-	1,148
Unearned revenue	28,249	-	-	28,249
Total Liabilities	<u>38,638</u>	<u>-</u>	<u>-</u>	<u>38,638</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	2,647	-	-	2,647
Unavailable revenue - special assessments	-	-	2,040	2,040
Total Deferred Inflows of Resources	<u>2,647</u>	<u>-</u>	<u>2,040</u>	<u>4,687</u>
Fund Balances				
Nonspendable for prepaid items	11,583	-	-	11,583
Restricted for debt service	-	-	8,797	8,797
Assigned for capital outlay	-	549,311	31,084	580,395
Unassigned	<u>463,085</u>	<u>-</u>	<u>(10,883)</u>	<u>452,202</u>
Total Fund Balances	<u>474,668</u>	<u>549,311</u>	<u>28,998</u>	<u>1,052,977</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 515,953</u>	<u>\$ 549,311</u>	<u>\$ 31,038</u>	<u>\$ 1,096,302</u>

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2021

Amounts reported for the governmental activities in the statement of net position are different because

Total Fund Balances - Governmental Funds	\$ 1,052,977
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	5,223,194
Less: accumulated depreciation	(3,911,322)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	
Net pension asset	180,181
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bond principal payable	(75,600)
Compensated absences payable	(13,911)
Pension liability	(70,907)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Taxes receivable	2,647
Special assessments receivable	2,040
Governmental funds do not report a liability for accrued interest until due and payable.	
	(1,012)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflow of resources	81,559
Deferred inflow of resources	<u>(80,663)</u>
Total Net Position - Governmental Activities	<u>\$ 2,389,183</u>

City of Hamburg, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	101	203	Total Nonmajor Governmental	Total Governmental Funds
	General	Capital Purchases		
Revenues				
Property taxes	\$ 488,381	\$ -	\$ 29,800	\$ 518,181
Licenses and permits	11,151	-	-	11,151
Intergovernmental	129,628	-	-	129,628
Charges for services	39,071	-	2,608	41,679
Fines and forfeitures	870	-	-	870
Special assessments	-	-	1,126	1,126
Investment earnings	326	479	40	845
Miscellaneous	48,701	-	15,875	64,576
Total Revenues	718,128	479	49,449	768,056
Expenditures				
Current				
General government	269,805	-	-	269,805
Public safety	88,502	-	-	88,502
Public works	39,583	-	-	39,583
Culture and recreation	113,532	-	256	113,788
Capital outlay				
General government	37,057	-	-	37,057
Public safety	58,397	-	-	58,397
Public works	16,825	-	-	16,825
Culture and recreation	9,112	-	-	9,112
Debt service				
Principal	-	-	37,800	37,800
Interest and other charges	-	-	6,348	6,348
Total Expenditures	632,813	-	44,404	677,217
Excess (Deficiency) of Revenues Over (Under) Expenditures	85,315	479	5,045	90,839
Other Financing Sources (Uses)				
Insurance recovery	5,032	-	-	5,032
Transfers in	30,800	132,754	6,000	169,554
Transfers out	(178,754)	(60,320)	-	(239,074)
Total Other Financing Sources (Uses)	(142,922)	72,434	6,000	(64,488)
Net Change in Fund Balances	(57,607)	72,913	11,045	26,351
Fund Balances, January 1	532,275	476,398	17,953	1,026,626
Fund Balances, December 31	\$ 474,668	\$ 549,311	\$ 28,998	\$ 1,052,977

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2021

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	\$ 26,351
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	112,230
Depreciation expense	(98,433)
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	
Capital assets contributed	(14,805)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal repayments	37,800
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	506
Long-term pension activity is not reported in governmental funds.	
Pension expense	68,860
Pension revenue	2,407
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	(923)
Property taxes	(2)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Compensated absences	113
Change in Net Position - Governmental Activities	\$ 134,104

City of Hamburg, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 489,864	\$ 489,864	\$ 488,381	\$ (1,483)
Licenses and permits	5,520	5,520	11,151	5,631
Intergovernmental	4,500	4,500	129,628	125,128
Charges for services	32,190	32,190	39,071	6,881
Fines and forfeitures	750	750	870	120
Investment earnings	1,000	1,000	326	(674)
Miscellaneous	6,000	6,000	48,701	42,701
Total Revenues	539,824	539,824	718,128	178,304
Expenditures				
Current				
General government	253,180	253,180	269,805	(16,625)
Public safety	88,843	88,843	88,502	341
Public works	58,720	58,720	39,583	19,137
Culture and recreation	76,075	76,075	113,532	(37,457)
Capital outlay	54,400	54,400	121,391	(66,991)
Total Expenditures	531,218	531,218	632,813	(101,595)
Excess of Revenues Over Expenditures	8,606	8,606	85,315	76,709
Other Financing Sources (Uses)				
Insurance recovery	-	-	5,032	5,032
Transfers in	-	-	30,800	30,800
Transfers out	(96,185)	(96,185)	(178,754)	(82,569)
Total Other Financing Sources (Uses)	(96,185)	(96,185)	(142,922)	(46,737)
Net Change in Fund Balances	(87,579)	(87,579)	(57,607)	29,972
Fund Balances, January 1	532,275	532,275	532,275	-
Fund Balances, December 31	\$ 444,696	\$ 444,696	\$ 474,668	\$ 29,972

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota

Statement of Net Position

Proprietary Funds

December 31, 2021

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Current Assets				
Cash and temporary investments	\$ 162,022	\$ 364,132	\$ 106,797	\$ 632,951
Receivables				
Accounts	19,570	5,633	6,514	31,717
Prepaid items	1,363	805	-	2,168
Total Current Assets	<u>182,955</u>	<u>370,570</u>	<u>113,311</u>	<u>666,836</u>
Noncurrent Assets				
Special assessments receivable	-	44,540	-	44,540
Capital assets				
Land	-	-	37,000	37,000
Machinery and equipment	9,306	107,605	-	116,911
Infrastructure	3,058,885	1,041,543	820,554	4,920,982
Less accumulated depreciation	<u>(1,188,296)</u>	<u>(922,757)</u>	<u>(192,581)</u>	<u>(2,303,634)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,879,895</u>	<u>226,391</u>	<u>664,973</u>	<u>2,771,259</u>
Total Noncurrent Assets	<u>1,879,895</u>	<u>270,931</u>	<u>664,973</u>	<u>2,815,799</u>
Total Assets	<u>2,062,850</u>	<u>641,501</u>	<u>778,284</u>	<u>3,482,635</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>8,265</u>	<u>9,147</u>	<u>-</u>	<u>17,412</u>
Liabilities				
Current Liabilities				
Accounts payable	1,372	4,166	-	5,538
Accrued salaries payable	277	261	-	538
Due to other governments	305	57	-	362
Accrued interest payable	7,247	463	5,455	13,165
Compensated absences payable	1,467	1,630	-	3,097
Current portion of bonds payable	<u>125,305</u>	<u>16,000</u>	<u>57,000</u>	<u>198,305</u>
Total Current Liabilities	<u>135,973</u>	<u>22,577</u>	<u>62,455</u>	<u>221,005</u>
Noncurrent Liabilities				
Bonds payable	1,413,500	88,089	636,500	2,138,089
Net pension liability	<u>10,936</u>	<u>12,107</u>	<u>-</u>	<u>23,043</u>
Total Noncurrent Liabilities	<u>1,424,436</u>	<u>100,196</u>	<u>636,500</u>	<u>2,161,132</u>
Total Liabilities	<u>1,560,409</u>	<u>122,773</u>	<u>698,955</u>	<u>2,382,137</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>10,272</u>	<u>11,368</u>	<u>-</u>	<u>21,640</u>
Net Position				
Net investment in capital assets	341,090	122,302	16,588	479,980
Unrestricted	<u>159,344</u>	<u>394,205</u>	<u>62,741</u>	<u>616,290</u>
Total Net Position	<u>\$ 500,434</u>	<u>\$ 516,507</u>	<u>\$ 79,329</u>	<u>\$ 1,096,270</u>

The notes to the financial statements are an integral part of this statement.

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City of Hamburg, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
	\$	\$	\$	\$
Operating Revenues				
Charges for services	200,929	61,091	68,688	330,708
Operating Expenses				
Personnel services	27,240	33,700	-	60,940
Supplies	7,573	1,598	-	9,171
Other services and charges	17,190	16,390	2,178	35,758
Maintenance and repairs	2,703	2,946	-	5,649
Depreciation	105,387	15,101	22,736	143,224
Total Operating Expenses	<u>160,093</u>	<u>69,735</u>	<u>24,914</u>	<u>254,742</u>
Operating Income (Loss)	40,836	(8,644)	43,774	75,966
Nonoperating Revenues (Expenses)				
Interest expense and other	(20,374)	(1,437)	(14,252)	(36,063)
Other revenue	925	30	-	955
Total Nonoperating Revenues (Expenses)	<u>(19,449)</u>	<u>(1,407)</u>	<u>(14,252)</u>	<u>(35,108)</u>
Income (Loss) Before Contributions and Transfers	21,387	(10,051)	29,522	40,858
Capital Contributions - Connection Fees/Special Assessments	-	1,470	-	1,470
Transfers In	69,520	-	-	69,520
Change in Net Position	90,907	(8,581)	29,522	111,848
Net Position, January 1	409,527	525,088	49,807	984,422
Net Position, December 31	<u>\$ 500,434</u>	<u>\$ 516,507</u>	<u>\$ 79,329</u>	<u>\$ 1,096,270</u>

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 200,418	\$ 60,888	\$ 68,536	\$ 329,842
Other income related to operating activities	925	30	-	955
Payments to suppliers	(27,676)	(17,710)	(2,178)	(47,564)
Payments to employees	(30,625)	(32,519)	-	(63,144)
Net Cash Provided by Operating Activities	143,042	10,689	66,358	220,089
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	69,520	-	-	69,520
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(7,769)	-	-	(7,769)
Special assessments collected	-	5,805	-	5,805
Proceeds of bonds issued	51,794	-	-	51,794
Principal paid on bonds	(122,750)	(16,000)	(52,250)	(191,000)
Interest paid on bonds	(20,000)	(1,508)	(13,440)	(34,948)
Net Cash Used by Capital and Related Financing Activities	(98,725)	(11,703)	(65,690)	(176,118)
Net Increase (Decrease) in Cash and Cash Equivalents	113,837	(1,014)	668	113,491
Cash and Cash Equivalents, January 1	48,185	365,146	106,129	519,460
Cash and Cash Equivalents, December 31	\$ 162,022	\$ 364,132	\$ 106,797	\$ 632,951

The notes to the financial statements are an integral part of this statement.

City of Hamburg, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 40,836	\$ (8,644)	\$ 43,774	\$ 75,966
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Other income related to operations	925	30	-	955
Depreciation	105,387	15,101	22,736	143,224
(AIncrease) decrease in assets				
Accounts receivable	(511)	(203)	(152)	(866)
Prepaid items	(1)	40	-	39
(AIncrease) decrease in deferred outflows of resources				
Deferred pension resources	(6,303)	(7,494)	-	(13,797)
Increase (decrease) in liabilities				
Accounts payable	123	3,632	-	3,755
Due to other governments	(332)	(448)	-	(780)
Accrued salaries payable	(56)	79	-	23
Compensated absences payable	(216)	304	-	88
Pension liability	(5,952)	(2,124)	-	(8,076)
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	<u>9,142</u>	<u>10,416</u>	<u>-</u>	<u>19,558</u>
Net Cash Provided by Operating Activities	<u>\$ 143,042</u>	<u>\$ 10,689</u>	<u>\$ 66,358</u>	<u>\$ 220,089</u>

The notes to the financial statements are an integral part of this statement.

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City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Hamburg, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has no component units that meet the criteria above.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Capital Purchases fund* is used to account for various capital purchases by governmental departments.

The City reports the following major proprietary funds:

The *Water fund* accounts for the costs associated with the City's water system and to ensure that user charges are sufficient to pay for those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer system and to ensure that user charges are sufficient to pay for those costs.

The *Storm Water fund* accounts for the costs associated with the City's storm water system and to ensure that user charges are sufficient to pay for those costs.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds except certain special revenue and debt service funds are pooled and kept in the City's checking account. The account does not earn any interest; therefore, interest is not allocated to the funds with pooled cash. The City does not have a formal investment policy.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, July and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2021. To the extent considered necessary, the City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, historical treasures and collectables, property, plant, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Donated capital assets are recorded at acquisition value at the date of donation.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives in Years</u>
Buildings and Improvements	10 to 40
Other Improvements	10 to 20
System Improvements/Infrastructure	20 to 50
Machinery and Equipment	5 to 15

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Unearned Revenue

Revenue received in advance of meeting revenue recognition criteria is recorded in the governmental funds Balance Sheet as well as the Statement of Net Position. The amount reported are funds received through the American Rescue Plan Act and will be recognized when spent on eligible expenditures.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP and Fire Relief Association is as follows:

	GERP	FRA	Total Pension Expense
Pension Expense	\$ 4,244	\$ (62,839)	\$ (58,595)

Compensated Absences

It is the City's policy to permit employees to accumulate one day of vacation for every 10 full weeks of employment from the date of hire to the end of the calendar year (December 31) of that year for the first year of employment. Employees are entitled to a percentage, based on years of service, of unused sick pay due to retirement or termination. Employees are entitled to accumulated vacation pay up to a maximum of 256 hours at retirement or termination. The General fund is typically used to liquidate governmental compensated absences payable.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: taxes, special assessments and due from other governments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, *deferred pension resources*, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Clerk/ Treasurer.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 35-50 percent of budgeted operating expenditures for cash-flow timing needs.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

On or before July 1 of each year, all departments of the City submit requests for appropriations to the City Clerk-Treasurer so that a budget may be prepared. Before September 30, the proposed budget is presented to the City for review. The City Council holds public hearings and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Clerk-Treasurer, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is at the department level. The City did amend the budget during the year.

B. Deficit Fund Equity

As of December 31, 2021, the following fund reported a deficit fund equity balance:

<u>Fund</u>	<u>Amount</u>
Governmental Activities 2018 Fire Truck	\$ <u>10,883</u>

The deficit will be funded with future reimbursement payments from other governments.

C. Excess of Expenditure Over Appropriations

For the year ended December 31, 2021, expenditures exceeded appropriations in the General fund by \$101,595. The excess was funded by excess budgeted revenue and available fund balance.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds

A. Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$1,693,733 and the bank balance was \$1,714,352. The bank balance was covered by federal depository insurance totaling \$500,000, and the remaining balance was covered by collateral held by the City's agent in the City's name.

City of Hamburg, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Historical treasures and collectables	11,873	-	-	11,873
Total Capital Assets not Being Depreciated	<u>111,873</u>	<u>-</u>	<u>-</u>	<u>111,873</u>
Capital Assets Being Depreciated				
Buildings	406,947	-	-	406,947
Machinery and equipment	616,597	95,405	-	712,002
Vehicles	692,405	-	-	692,405
Infrastructure	<u>3,283,142</u>	<u>16,825</u>	<u>-</u>	<u>3,299,967</u>
Total Capital Assets Being Depreciated	<u>4,999,091</u>	<u>112,230</u>	<u>-</u>	<u>5,111,321</u>
Less Accumulated Depreciation for				
Buildings	(395,579)	(2,187)	-	(397,766)
Machinery and equipment	(496,943)	(22,624)	-	(519,567)
Vehicles	(260,252)	(32,936)	-	(293,188)
Infrastructure	<u>(2,660,115)</u>	<u>(40,686)</u>	<u>-</u>	<u>(2,700,801)</u>
Total Accumulated Depreciation	<u>(3,812,889)</u>	<u>(98,433)</u>	<u>-</u>	<u>(3,911,322)</u>
Total Capital Assets Being Depreciated, Net	<u>1,186,202</u>	<u>13,797</u>	<u>-</u>	<u>1,199,999</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,298,075</u>	<u>\$ 13,797</u>	<u>\$ -</u>	<u>\$ 1,311,872</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General Government	\$ 8,758
Public Safety	47,482
Public Works	27,811
Culture and Recreation	<u>14,382</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 98,433</u>

City of Hamburg, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 37,000	\$ -	\$ -	\$ 37,000
Capital Assets Being Depreciated				
Machinery and equipment	116,911	-	-	116,911
Infrastructure	4,913,213	7,769	-	4,920,982
Total Capital Assets Being Depreciated	<u>5,030,124</u>	<u>7,769</u>	<u>-</u>	<u>5,037,893</u>
Less Accumulated Depreciation for				
Machinery and equipment	(63,528)	(9,451)	-	(72,979)
Infrastructure	(2,096,882)	(133,773)	-	(2,230,655)
Total Accumulated Depreciation	<u>(2,160,410)</u>	<u>(143,224)</u>	<u>-</u>	<u>(2,303,634)</u>
Total Capital Assets Being Depreciated, Net	<u>2,869,714</u>	<u>(135,455)</u>	<u>-</u>	<u>2,734,259</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 2,906,714</u>	<u>\$ (135,455)</u>	<u>\$ -</u>	<u>\$ 2,771,259</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Water	\$ 105,387
Sewer	15,101
Storm Water	<u>22,736</u>
Total Depreciation Expense - Business-type Activities	
	<u>\$ 143,224</u>

C. Interfund Transfers

During the year ended December 31, 2021 the City made the following transfers:

Fund	Transfers in				
	General	Capital Purchases	Fire Equipment	Water Enterprise	Total
Transfers Out					
General	\$ -	\$ 132,754	\$ 6,000	\$ 40,000	\$ 178,754
Capital Purchases	<u>30,800</u>	<u>-</u>	<u>-</u>	<u>29,520</u>	<u>60,320</u>
Total Transfer In	<u>\$ 30,800</u>	<u>\$ 132,754</u>	<u>\$ 6,000</u>	<u>\$ 69,520</u>	<u>\$ 239,074</u>

- From the General fund to the Capital Purchases fund for a budgeted transfer (\$132,754).
- From the General fund to the Fire Equipment fund for budgeted transfer (\$6,000).
- From the General fund to the Water fund for a budgeted transfer (\$40,000).
- From the Capital Purchases fund to the General fund to purchase a 2007 Bobcat Toolcat (\$30,800).
- From the Capital Purchases fund to the Water fund for a budgeted transfer (\$29,520).

City of Hamburg, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation (G.O.) Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future net revenues pledged from the Water, Sewer, and Storm Water funds and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require approximately 49, 28, and 107 percent of net revenues from the Water, Sewer, and Storm Water funds, respectively. Principal and interest paid for 2021 and total customer net revenues for the Water fund were \$142,750 and \$200,929, respectively. Principal and interest paid for 2021 and total customer net revenues for the Sewer fund were \$17,508 and \$61,091, respectively. Principal and interest paid for 2021 and total customer net revenues for the Storm Water fund were \$65,690 and \$68,688, respectively.

Description	Authorized	Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
MPFA Water Revenue Note, 2003	\$ 225,640	\$ 225,640	2.49 %	08/20/03	08/20/22	\$ 15,000
MPFA Water Revenue Note, 2004	950,709	950,709	2.34	08/20/04	08/20/24	172,000
MPFA Sewer Revenue Note, 2011	290,242	290,242	1.26	12/08/11	08/20/30	104,089
MPFA Water Revenue Note, 2019	1,382,070	862,525	1.00	10/11/19	08/20/44	1,315,305
G.O. Public Utility Revenue Refunding Bonds, Series 2019A	785,000	785,000	1.35 - 2.25	12/30/19	02/01/32	<u>730,000</u>
Total G.O. Revenue Bonds						<u>\$ 2,336,394</u>

Annual debt service requirements to maturity for the G.O. revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2022	\$ 198,305	\$ 32,544	\$ 230,849
2023	184,000	29,284	213,284
2024	187,000	26,344	213,344
2025	134,000	23,262	157,262
2026	135,000	21,459	156,459
2027 - 2031	642,089	75,933	718,022
2032 - 2036	364,000	34,489	398,489
2037 - 2041	303,000	18,795	321,795
2042 - 2044	189,000	3,838	192,838
Total	<u>\$ 2,336,394</u>	<u>\$ 265,948</u>	<u>\$ 2,602,342</u>

City of Hamburg, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

G.O. Improvement (Special Assessment) Bonds

The following bonds were issued to finance capital improvements and will be repaid primarily from special assessment certified on the properties benefiting from the improvements. Some issues, however, are partially financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds Series 2007	\$ 180,000	4.15 - 4.45 %	05/17/07	02/01/23	\$ 30,000

Annual requirement to maturity for G.O. special assessment bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 15,000	\$ 1,001	\$ 16,001
2023	<u>15,000</u>	<u>334</u>	<u>15,334</u>
Total	<u>\$ 30,000</u>	<u>\$ 1,335</u>	<u>\$ 31,335</u>

Certificates of Indebtedness

The following certificate was issued to finance the purchase a fire truck and will be repaid primarily from contributions from other governments and tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2018 Freightliner Fire Engine	\$ 114,000	6.00 %	10/31/18	10/31/23	\$ 45,600

Annual requirement to maturity for the certificate of indebtedness are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 22,800	\$ 2,736	\$ 25,536
2023	<u>22,800</u>	<u>1,368</u>	<u>24,168</u>
Total	<u>\$ 45,600</u>	<u>\$ 4,104</u>	<u>\$ 49,704</u>

City of Hamburg, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. improvement bonds	\$ 45,000	\$ -	\$ (15,000)	\$ 30,000	\$ 15,000
Certificate of indebtedness	68,400	-	(22,800)	45,600	22,800
Compensated Absences Payable	14,024	9,355	(9,468)	13,911	13,911
Governmental Activity Long-term Liabilities	<u>\$ 127,424</u>	<u>\$ 9,355</u>	<u>\$ (47,268)</u>	<u>\$ 89,511</u>	<u>\$ 51,711</u>
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 2,475,600	\$ 51,794	\$ (191,000)	\$ 2,336,394	\$ 198,305
Compensated Absences Payable	3,009	2,196	(2,108)	3,097	3,097
Business-type Activity Long-term Liabilities	<u>\$ 2,478,609</u>	<u>\$ 53,990</u>	<u>\$ (193,108)</u>	<u>\$ 2,339,491</u>	<u>\$ 201,402</u>

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota statutes*, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plan - Statewide (Continued)

General Employee Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Fund Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the City was required 7.50 percent for Coordinated Plan members in fiscal year 2021. The City's contributions to the General Employees Fund for the years ending December 31, 2021, 2020 and 2019 were \$12,521, \$11,706 and \$10,919, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$93,950 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$2,911. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0022 percent which was a 0.0001 percent decrease from its proportion measured as of June 30, 2020.

City of Hamburg, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 4: Defined Benefit Pension Plan - Statewide (Continued)

City's Proportionate Share of the Net Pension Liability	\$ 93,950
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>2,911</u>
Total	<u>\$ 96,861</u>

For the year ended December 31, 2021, the City recognized pension expense of \$4,009 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$235 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 525	\$ 2,859
Changes in Actuarial Assumptions	57,364	1,953
Net Difference Between Projected and Actual Earnings on Plan Investments	-	81,855
Changes in Proportion	6,100	1,556
Contributions Paid to PERA Subsequent to the Measurement Date	<u>7,000</u>	-
Total	<u>\$ 70,989</u>	<u>\$ 88,223</u>

Deferred outflows of resources totaling \$7,000 related to pensions resulting from the City's contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2022	\$ (2,683)
2023	1,517
2024	(876)
2025	(22,192)

E. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plan - Statewide (Continued)

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. . The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	25.00	0.75
International Equity	16.50	5.30
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plan - Statewide (Continued)

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
GERP	\$ 191,610	\$ 93,950	\$ 13,814

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 5: Defined Benefit Pension Plan - Fire Relief Association

A. Plan Description

All members of the Hamburg Fire Department (the Department) are covered by a defined benefit plan administered by the Hamburg Fire Department Relief Association (the Association). As of December 31, 2021, the plan covered 21 active firefighters and 5 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

B. Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$14,131 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2021, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2021 was \$0. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan. The firefighter has no obligation to contribute to the plan.

City of Hamburg, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 5: Defined Benefit Pension Plan - Fire Relief Association (Continued)

D. Pension Costs

At December 31, 2021, the City reported a net pension asset of -\$180,181 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2021. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2020	\$ 373,841	\$ 564,509	\$ (190,668)
Changes for the Year			
Service cost	17,881	-	17,881
Interest on pension liability (asset)	22,328	-	22,328
Actuarial experience (gains)/losses	34,979	-	34,979
Projected investment earnings	-	33,871	(33,871)
Contributions (State)	-	14,131	(14,131)
Asset (gain)/loss	-	17,600	(17,600)
Benefit payouts	(39,155)	(39,155)	-
Administrative costs	-	(901)	901
Total Net Changes	36,033	25,546	10,487
Ending Balance December 31, 2021	<u>\$ 409,874</u>	<u>\$ 590,055</u>	<u>\$ (180,181)</u>

For the year ended December 31, 2021, the City recognized negative pension expense of \$37,929.

At December 31, 2021, the City reported deferred inflows of resources and deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 14,080
Changes in Actuarial Assumptions	<u>27,982</u>	<u>-</u>
Total	<u>\$ 27,982</u>	<u>\$ 14,080</u>

City of Hamburg, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 5: Defined Benefit Pension Plan - Fire Relief Association (Continued)

Amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2021	\$ 3,476
2022	3,476
2023	3,475
2024	3,475
2024	-
Thereafter	-

E. Actuarial Assumptions

The total pension liability at December 31, 2021 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the Later of Age 50 or 20 Years of Service	
Inflation	2.50% per year
Investment Rate of Return	7.50%

There were no changes in actuarial assumptions in 2020.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability (Asset) Sensitivity

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	<u>1 Percent Decrease (5.00%)</u>	<u>Current (6.00%)</u>	<u>1 Percent Increase (7.00%)</u>
Defined Benefit Plan	\$ (162,638)	\$ (180,181)	\$ (196,900)

H. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota statutes, chapter 11a and chapter 353g.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 5: Defined Benefit Pension Plan - Fire Relief Association (Continued)

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

I. Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	33.5 %	5.10 %
International Stocks	16.5	5.30
Private Markets	25.0	5.90
Fixed Income	25.0	0.75
Cash	-	-
Total	<u>100.0 %</u>	

The 6.0 percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The SBI made no significant changes to their investment policy during fiscal year 2021 for the Volunteer Firefighter Fund.

J. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2021, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

Note 6: Joint Ventures

Young America Township

The City participates in a joint powers agreement with the Young America Township (the Township), which includes the rental of space at the Community Center. The agreement creates a Community Advisory Committee, composed of two members from each organization, consisting of four members. It shall be the duty of this Advisory Committee to make recommendations concerning maintenance, repair, upkeep and improvements to the Community Center. Said recommendations shall be considered by both the Township and the City; it being specifically understood that the City shall have the ultimate decision-making right and responsibility concerning maintenance, repair, upkeep and improvements. The Township shall pay to the City a portion of the maintenance costs associated with the Community Center. The agreement may be terminated mutual consent. Upon termination, the City shall refund to the Township its original principal payment of \$44,000.

City of Hamburg, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 7: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsurance for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2021, the City is under the legal debt margin.

C. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2021 was 11.5 percent. This accounted for percent of General fund revenues.

Note 8: Conduit Debt Obligations

The City issued the following conduit debt to Ridgeview Medical Center, a Minnesota nonprofit corporation located in the City of Waconia, to provide financial assistance for the expansion and remodeling of its existing hospital facilities.

- The Health Care Facilities Revenue Note, Series 2007, was issued in the amount of \$7,000,000. The note balance at December 31, 2021 was \$3,823,504.

Under each loan agreement, Ridgeview Medical Center is obligated for repayment of the notes. The City is not obligated in any manner for repayment of the note. Accordingly, the notes are not reported as liabilities in these financial statements.

Note 9: COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City's financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Hamburg, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2021	0.0022 %	\$ 93,950	\$ 2,911	\$ 96,861	\$ 158,561	59.3 %	87.0 %
6/30/2020	0.0021	125,905	3,946	129,851	143,155	88.0	79.0
6/30/2019	0.0020	110,576	3,500	114,076	133,527	82.8	80.2
6/30/2018	0.0021	116,499	3,700	120,199	145,053	80.3	79.5
6/30/2017	0.0021	134,063	1,661	135,724	140,382	95.5	75.9
6/30/2016	0.0020	162,390	2,198	164,588	120,494	134.8	68.9
6/30/2015	0.0021	108,833	-	108,833	123,647	88.0	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Contributions in Relation to the Statutorily Required Contribution			Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)			
12/31/2021	\$ 12,521	\$ 12,521	\$ -	-	\$ 166,948	7.5 %
12/31/2020	11,706	11,706	-	-	156,086	7.5
12/31/2019	10,919	10,919	-	-	145,590	7.5
12/31/2018	10,523	10,523	-	-	140,313	7.5
12/31/2017	10,117	10,117	-	-	134,893	7.5
12/31/2016	9,702	9,702	-	-	129,361	7.5
12/31/2015	9,310	9,310	-	-	124,130	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Hamburg, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - General Employees Retirement Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

City of Hamburg, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - General Employees Retirement Fund (Continued)

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - No changes noted

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of Hamburg, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Schedule of Changes in the Fire Relief Association's Net Pension (Asset) and Related Ratios

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 17,881	\$ 18,544	\$ 16,646	\$ 17,755	\$ 16,208	\$ 16,103	\$ 16,103
Interest	22,328	23,108	19,108	22,490	24,708	25,717	25,717
Changes of benefit terms			-		4,127	3,893	3,893
Differences between expected and actual experience	34,978	(34,389)	2,852	-	(4,688)	-	-
Changes in benefit level			26,149	-	-	-	-
Changes of assumptions			-	(4,367)	8,696	(3,848)	(3,848)
Benefit payments, including refunds of employee contributions	<u>(39,155)</u>		<u>(62,787)</u>	<u>(49,000)</u>	<u>(97,642)</u>	<u>(97,642)</u>	
Net Change in Total Pension Liability	36,032	7,263	64,755	(26,909)	51	(55,777)	(55,777)
Total Pension Liability - January 1,	373,841	366,578	301,823 *	388,467	388,416	444,193	444,193
Total Pension Liability - December 31, (a)	\$ 409,873	\$ 373,841	\$ 366,578	\$ 361,558	\$ 388,467	\$ 388,416	\$ 388,416
Plan Fiduciary Net Position							
Contributions - employer	\$ 11,677		\$ -	\$ 11,185	\$ 8,817	\$ 12,843	\$ 12,843
Contributions - state	2,453	13,855	13,430	18,644	17,009	18,067	18,067
Contributions - member				11			
Net investment income	51,471	71,478	21,982	48,074	18,439	(9,338)	(9,338)
Other additions	(31)	-	-	211	-	-	-
Adjustment to initial asset transfer			31,503	-	-	-	-
Asset (gain)/loss			47,617	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(39,155)</u>		<u>(62,787)</u>	<u>(49,000)</u>	<u>(97,642)</u>	<u>(97,642)</u>	
Administrative expense	<u>(870)</u>	<u>(869)</u>	<u>(861)</u>	<u>(3,383)</u>	<u>(3,467)</u>	<u>(3,260)</u>	<u>(3,260)</u>
Net Change in Plan Fiduciary Net Position	25,545	84,464	113,671	11,955	(8,202)	(79,330)	(79,330)
Plan Fiduciary Net Position - January 1,	564,508	480,044	366,374 *	451,057	459,259	538,589	538,589
Plan Fiduciary Net Position - December 31, (b)	\$ 590,053	\$ 564,508	\$ 480,045	\$ 463,012	\$ 451,057	\$ 459,259	\$ 459,259
Fire Relief's Net Pension Liability (Asset) - December 31, (a-b)	\$ (180,180)	\$ (190,667)	\$ (113,467)	\$ (101,454)	\$ (62,590)	\$ (70,843)	\$ (70,843)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	143.96%	151.00%	130.95%	128.06%	116.11%	118.24%	118.24%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to the Schedule:

* The relief association changed from a single-employer plan to an agent multiple-employer plan at the beginning of 2019 and restated beginning total pension liability and plan fiduciary net position.

Benefit Changes. The lump sum benefit increased from \$1,600 to \$1,800

Changes of Assumptions. The following changes in assumption occurred from the previous valuation:

There were no changes in assumptions in 2019.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Hamburg, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2021

	Special Revenue	Debt Service		Capital Projects		Total Nonmajor Governmental Funds
	801	308	311	201		
	Cable Television	2007 GO Bond	2018 Fire Truck	Fire Equipment		
Assets						
Cash and temporary investments	\$ 16,775	\$ 8,797	\$ (10,883)	\$ 14,309	\$ 28,998	
Special assessments receivable	-	2,040	-	-	2,040	
Total Assets	\$ 16,775	\$ 10,837	\$ (10,883)	\$ 14,309	\$ 31,038	
Deferred Inflows of Resources						
Unavailable revenue - special assessments	\$ -	\$ 2,040	\$ -	\$ -	\$ 2,040	
Fund Balances						
Restricted for debt service	-	8,797	-	-	8,797	
Assigned for capital outlay	16,775	-	-	14,309	31,084	
Unassigned	-	-	(10,883)	-	(10,883)	
Total Fund Balances	16,775	8,797	(10,883)	14,309	28,998	
Total Deferred Inflows of Resources and Fund Balances	\$ 16,775	\$ 10,837	\$ (10,883)	\$ 14,309	\$ 31,038	

City of Hamburg, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2021

	<u>Special Revenue</u>	<u>Debt Service</u>		<u>Capital Projects</u>	<u>Total</u>
	<u>801</u>	<u>308</u>	<u>311</u>	<u>201</u>	<u>Nonmajor</u>
	Cable Television	2007 GO Bond	2018 Fire Truck	Fire Equipment	Governmental Funds
Revenues					
Property taxes	\$ -	\$ 11,000	\$ 18,800	\$ -	\$ 29,800
Special assessments	-	1,126	-	-	1,126
Charges for services	2,608	-	-	-	2,608
Investment earnings	7	-	-	33	40
Miscellaneous	-	-	15,875	-	15,875
Total Revenues	2,615	12,126	34,675	33	49,449
Expenditures					
Current					
Culture and recreation	256	-	-	-	256
Debt service					
Principal	-	15,000	22,800	-	37,800
Interest and other charges	-	2,244	4,104	-	6,348
Total Expenditures	256	17,244	26,904	-	44,404
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,359	(5,118)	7,771	33	5,045
Other Financing Sources					
Transfers in	-	-	-	6,000	6,000
Net Change in Fund Balances	2,359	(5,118)	7,771	6,033	11,045
Fund Balances, January 1	14,416	13,915	(18,654)	8,276	17,953
Fund Balances, December 31	\$ 16,775	\$ 8,797	\$ (10,883)	\$ 14,309	\$ 28,998

City of Hamburg, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Property taxes	\$ 489,864	\$ 489,864	\$ 488,381	\$ (1,483)	\$ 493,262
Licenses and permits					
Business	1,500	1,500	11,141	9,641	2,991
Nonbusiness	4,020	4,020	10	(4,010)	8,015
Total licenses and permits	<u>5,520</u>	<u>5,520</u>	<u>11,151</u>	<u>5,631</u>	<u>11,006</u>
Intergovernmental					
Federal					
CARES funding	-	-	-	-	38,650
State					
Local government aid	-	-	82,569	82,569	80,210
Property tax credits	-	-	2	2	2
Fire relief aid	-	-	14,131	14,131	1,061
Police state aid	1,000	1,000	1,028	28	-
Other	-	-	20,416	20,416	4,600
County					
Highway aid	-	-	9,706	9,706	4,499
Other	3,500	3,500	1,776	(1,724)	2,483
Total intergovernmental	<u>4,500</u>	<u>4,500</u>	<u>129,628</u>	<u>125,128</u>	<u>131,505</u>
Charges for services	<u>32,190</u>	<u>32,190</u>	<u>39,071</u>	<u>6,881</u>	<u>32,953</u>
Fines and forfeitures	<u>750</u>	<u>750</u>	<u>870</u>	<u>120</u>	<u>418</u>
Interest earnings	<u>1,000</u>	<u>1,000</u>	<u>326</u>	<u>(674)</u>	<u>1,000</u>
Miscellaneous					
Donations and contributions	1,000	1,000	27,264	26,264	-
Refunds and reimbursements	4,000	4,000	20,460	16,460	8,851
Other	1,000	1,000	977	(23)	1,149
Total miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>48,701</u>	<u>42,701</u>	<u>10,000</u>
Total Revenues	<u>539,824</u>	<u>539,824</u>	<u>718,128</u>	<u>178,304</u>	<u>680,144</u>

City of Hamburg, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	
	Original	Final	Amounts	Final Budget	Actual
Expenditures					
Current					
General government					
Mayor and city council					
Personnel services	\$ 11,000	\$ 11,000	\$ 9,581	\$ 1,419	\$ 14,156
City clerk					
Personnel services	129,795	129,795	128,536	1,259	125,261
Supplies	2,500	2,500	2,689	(189)	3,464
Other services and charges	15,285	15,285	12,945	2,340	14,620
Total city clerk	<u>147,580</u>	<u>147,580</u>	<u>144,170</u>	<u>3,410</u>	<u>143,345</u>
Elections					
Other services and charges	300	300	476	(176)	3,025
Auditing					
Other services and charges	18,900	18,900	18,900	-	20,750
Assessor					
Other services and charges	3,800	3,800	3,881	(81)	3,721
Legal					
Other services and charges	30,000	30,000	44,286	(14,286)	37,428
Planning consultants					
Other services and charges	3,000	3,000	7,952	(4,952)	13,203
General government buildings					
Personnel services	23,300	23,300	27,198	(3,898)	24,328
Supplies	2,500	2,500	1,801	699	1,185
Other services and charges	12,800	12,800	11,560	1,240	10,749
Total general government buildings	<u>38,600</u>	<u>38,600</u>	<u>40,559</u>	<u>(1,959)</u>	<u>36,262</u>
Total general government	<u>253,180</u>	<u>253,180</u>	<u>269,805</u>	<u>(16,625)</u>	<u>271,890</u>
Public safety					
Police					
Other services and charges	20,473	20,473	18,215	2,258	20,267
Fire					
Personnel services	17,620	17,620	16,803	817	15,044
Supplies	5,250	5,250	2,020	3,230	4,401
Other services and charges	37,500	37,500	27,231	10,269	22,045
Payments to relief association	-	-	14,131	(14,131)	-
Total fire	<u>60,370</u>	<u>60,370</u>	<u>60,185</u>	<u>185</u>	<u>41,490</u>

City of Hamburg, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020		
	Budgeted Amounts		Actual Amounts				
	Original	Final					
Expenditures (Continued)							
Current (continued)							
Public safety (continued)							
Building inspection							
Other services and charges	\$ 3,500	\$ 3,500	\$ 6,127	\$ (2,627)	\$ 6,269		
Animal control							
Other services and charges	4,500	4,500	3,975	525	3,975		
Total public safety	88,843	88,843	88,502	341	72,001		
Public works							
Streets							
Personnel services	9,320	9,320	6,409	2,911	7,011		
Supplies	1,500	1,500	2,206	(706)	1,271		
Other services and charges	3,900	3,900	2,148	1,752	25,703		
Maintenance and repair	18,000	18,000	12,544	5,456	9,180		
Total streets	32,720	32,720	23,307	9,413	43,165		
Snow and ice removal							
Other services and charges	14,500	14,500	6,874	7,626	7,660		
Street lighting							
Other services and charges	8,000	8,000	7,626	374	7,257		
Sanitation							
Other services and charges	3,500	3,500	1,776	1,724	2,483		
Total public works	58,720	58,720	39,583	19,137	60,565		
Culture and recreation							
Parks							
Personnel services	17,485	17,485	23,807	(6,322)	17,260		
Supplies	3,550	3,550	2,392	1,158	1,645		
Other services and charges	16,450	16,450	18,569	(2,119)	10,582		
Total parks	37,485	37,485	44,768	(7,283)	29,487		
Hall							
Personnel services	9,070	9,070	9,486	(416)	6,743		
Supplies	5,600	5,600	3,492	2,108	2,508		
Other services and charges	23,920	23,920	55,786	(31,866)	15,205		
Total hall	38,590	38,590	68,764	(30,174)	24,456		
Total culture and recreation	76,075	76,075	113,532	(37,457)	53,943		
Total current	476,818	476,818	511,422	(34,604)	458,399		

City of Hamburg, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020 Actual Amounts
	Budgeted Amounts	Original	Final		
Expenditures (Continued)					
Capital outlay					
General government	\$ 8,500	\$ 8,500	\$ 37,057	\$ (28,557)	\$ 5,055
Public safety	26,700	26,700	58,397	(31,697)	67,876
Public works	12,000	12,000	16,825	(4,825)	99,819
Culture and recreation	7,200	7,200	9,112	(1,912)	5,057
Total capital outlay	<u>54,400</u>	<u>54,400</u>	<u>121,391</u>	<u>(66,991)</u>	<u>177,807</u>
Total Expenditures	<u>531,218</u>	<u>531,218</u>	<u>632,813</u>	<u>(101,595)</u>	<u>636,206</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,606</u>	<u>8,606</u>	<u>85,315</u>	<u>76,709</u>	<u>43,938</u>
Other Financing Sources (Uses)					
Insurance recovery	-	-	5,032	5,032	-
Transfers in	-	-	30,800	30,800	-
Transfers out	<u>(96,185)</u>	<u>(96,185)</u>	<u>(178,754)</u>	<u>(82,569)</u>	<u>(14,000)</u>
Total Other Financing Sources (Uses)	<u>(96,185)</u>	<u>(96,185)</u>	<u>(142,922)</u>	<u>(46,737)</u>	<u>(14,000)</u>
Net Change in Fund Balances	<u>(87,579)</u>	<u>(87,579)</u>	<u>(57,607)</u>	<u>29,972</u>	<u>29,938</u>
Fund Balances, January 1	<u>532,275</u>	<u>532,275</u>	<u>532,275</u>	<u>-</u>	<u>502,337</u>
Fund Balances, December 31	<u>\$ 444,696</u>	<u>\$ 444,696</u>	<u>\$ 474,668</u>	<u>\$ 29,972</u>	<u>\$ 532,275</u>

City of Hamburg, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2021 and 2020

	Total		Percent Increase (Decrease)
	2021	2020	
Revenues			
Property taxes	\$ 518,181	\$ 512,391	1.13 %
Licenses and permits	11,151	11,006	1.32
Intergovernmental	129,628	131,505	(1.43)
Charges for services	41,679	35,219	18.34
Fines and forfeitures	870	418	108.13
Special assessments	1,126	1,126	-
Investment earnings	845	3,279	(74.23)
Miscellaneous	<u>64,576</u>	<u>10,000</u>	545.76
 Total Revenues	 <u>\$ 768,056</u>	 <u>\$ 704,944</u>	 8.95 %
Per Capita	<u>\$ 1,357</u>	<u>\$ 1,325</u>	2.42 %
 Expenditures			
Current			
General government	\$ 269,805	\$ 271,890	(0.77) %
Public safety	88,502	72,001	22.92
Public works	39,583	60,565	(34.64)
Culture and recreation	113,788	55,153	106.31
Capital outlay			
General government	37,057	5,055	633.08
Public safety	58,397	67,876	(13.97)
Public works	16,825	99,819	(83.14)
Culture and recreation	9,112	5,057	80.19
Debt service			
Principal	37,800	37,800	-
Interest and other charges	<u>6,348</u>	<u>7,808</u>	(18.70)
 Total Expenditures	 <u>\$ 677,217</u>	 <u>\$ 683,024</u>	 (0.85) %
Per Capita	<u>\$ 1,196</u>	<u>\$ 1,284</u>	(6.85) %
 Total Long-term Indebtedness	 <u>\$ 75,600</u>	 <u>\$ 113,400</u>	 (33.33) %
Per Capita	<u>134</u>	<u>213</u>	(37.09)
 General Fund Balance - December 31	 <u>\$ 474,668</u>	 <u>\$ 532,275</u>	 (10.82) %
Per Capita	<u>839</u>	<u>1,001</u>	(16.18)

The purpose of this report is to provide a summary of financial information concerning the City of Hamburg to
The complete financial statements may be examined at City Hall, 181 Broadway Ave, Hamburg, MN 55339. Questions
about this report should be directed to Jeremy Gruenhagen, Clerk/Treasurer at (952) 467-3232.

OTHER REQUIRED REPORTS

CITY OF HAMBURG
HAMBURG, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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**INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of Hamburg, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hamburg, Minnesota, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 9, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



Abdo
Minneapolis, Minnesota
May 9, 2022

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
City of Hamburg, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hamburg, Minnesota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 9, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Abdo
Minneapolis, Minnesota
May 9, 2022



City of Hamburg, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-001	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we both prepare your statements and determine the fairness of that presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendations: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from QuickBooks to the amounts reported in the financial statements.

Management Response:

For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

City of Hamburg, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-002	Limited Segregation of Duties
<i>Condition:</i>	During our audit, we reviewed procedures over major transaction cycles and found the City to have limited segregation of duties related to cash disbursements, payroll, utility billing, and receipting.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities. Also, a well-designed system of internal control has documentation of significant transaction cycles. Documentation is especially important in the event of staff turnover.
<i>Cause:</i>	As a result of the limited number of staff, the City is not able to completely segregate all accounting functions. All cycles have the same person performing some of the authorization, custody, and recording functions.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and error.
<i>Recommendation:</i>	While we recognize that the number of staff is not large enough to eliminate these deficiencies, we believe the risk can be reduced with better monitoring. <ul style="list-style-type: none">• We recommend that the Billing Clerk continue to review the unopened bank statement, looking for activity within cancelled checks that appears inconsistent to the checks she prepared and payroll checks.• For the deposits, we recommend that the Billing Clerk pay close attention to deposits that were made by the Clerk/Treasurer looking for inconsistencies.• The utility billings should be reviewed by someone other than the person entering and printing billing registers.• City Council should also be reminded of their duties over finance at least annually. Some typical monitoring duties would include the following tasks:<ul style="list-style-type: none">○ Claims approval is an important control and should be at the front of the meeting to ensure that the City Council reviews the claims closely.○ The check sequence should be reported in each set of approved minutes with a corresponding amount of all checks that agrees to the City Council claims listing. The City Council should review the order the checks are approved to ensure that they are in sequence and any gaps in numbers are explained.○ A thorough review of budget versus actual reporting and narrative at least quarterly.○ Monitor progress over the development of documented policies and procedures.○ Consider personnel policies that require someone else to fill finance duties for a period of time. A mandatory vacation period of one week for all finance staff and distribution of their duties for that week is often recommended.

Management Response:

The City has evaluated the accounting procedures and has determined that the job duties are assigned to the staff most capable. This doesn't always allow for complete segregation. The City will continue to review its processes and make changes where possible.